

Finance Committee

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FINANCE COMMITTEE

LEGISLATION ENACTED

insurance; surplus lines; reports; payments (S.B. 1004) – Chapter 10

Beginning January 1, 2020, allows the Director of the Department of Insurance (DOI) to require reports and payments for surplus lines insurance to be submitted electronically. If the Director of DOI (Director) requires electronic submission, the Director must include on DOI's website at least one acceptable third-party service for a surplus lines broker to submit reports and payments. Modifies information that must be included in the surplus lines broker's reports. Allows, rather than requires, the Director to collect an unpaid surplus lines tax by distraint and to recover a civil penalty from the surplus lines broker that did not pay the tax.

internationally active insurance groups; supervision (S.B. 1006) – Chapter 11

Allows the Director of the Department of Insurance (DOI) to act as the group-wide supervisor for any internationally active insurance group (IAIG) or to acknowledge another regulatory official as the supervisor under certain circumstances. Outlines factors for the Director of DOI (Director) to consider when making a supervisory determination. A chief regulatory official identified as a group-wide supervisor may determine that it is appropriate to acknowledge another supervisor to serve as the group-wide supervisor. Before issuing a determination that an IAIG is subject to group-wide supervision, the Director must notify the registered insurer and the ultimate controlling person within the IAIG. Requires the Director to publish on the DOI website the identity of IAIGs subject to group-wide supervision. Outlines powers of the Director and additional powers if the Director functions as a group-wide supervisor.

insurance; corporate governance; disclosure (S.B. 1007) – Chapter 180

S.B. 1007 is a National Association of Insurance Commissioners Model Act (NAIC Model Act) that is an NAIC accreditation requirement effective in 2020.

Requires a domestic insurer (insurer) to submit a corporate governance annual disclosure (CGAD) to the Director of the Department of Insurance (DOI) by June 1 of each year. The CGAD must contain all material information necessary to allow the Director of DOI (Director) to gain an understanding of the insurer's or insurance group's corporate governance structure, policies and practices. The Director may, after notice and hearing, impose a civil penalty of \$20 for each day's delay, not to exceed \$2,500, if an insurer fails to timely file the CGAD.

The Director may retain third-party consultants, at the insurer's expense, to assist in reviewing the CGAD or the insurer's compliance with the NAIC Model Act. Documents submitted to DOI are proprietary and contain trade secrets. Outlines authorized uses and sharing of submitted information and required confidentiality standards.

Allows the Director to adopt rules and issue orders necessary to carry out the NAIC Model Act and exempts DOI from rulemaking requirements for one year. If the confidentiality provisions are finally adjudicated as invalid, the entire act is void.

insurance; prohibited inducements; exceptions (S.B. 1008) – Chapter 12

Allows an insurer to offer or provide products or services related to insurance coverage that are intended to minimize claims-related losses to existing policyholders and new consumers in connection with insurance transactions. Related products or services are exempt from prohibitions relating to rebates or inducements.

ASRS; ineligible contributions; unfunded liability (S.B. 1016) – Chapter 158

Requires an Arizona State Retirement System (ASRS) employer that has paid contributions on ineligible compensation, to pay to ASRS any unfunded liability resulting from any benefit or credit. Redefines *unfunded liability* to include ASRS contributions on compensation that are not eligible by statute or rule.

ASRS; paying interest; authorization (S.B. 1017) – Chapter 37

Prohibits the Arizona State Retirement System (ASRS) from paying interest on any amount paid to a member, an alternate payee or an employer, unless specifically authorized by ASRS or Long-Term Disability Program retirement statutes.

ASRS; compensation; definition (S.B. 1018) – Chapter 181

Bifurcates the definition of *compensation* for the Arizona State Retirement System (ASRS). For ASRS members whose membership begins on or after January 1, 2020, *compensation* means only gross wages paid to a member for services rendered during the period of credited service. Amounts specifically excluded from compensation include: 1) payments made for accrued leave; 2) payments made on termination of employment; 3) employer-paid contributions qualified under the Internal Revenue Code (IRC); 4) payments for allowances, reimbursements, workers' compensation, merit awards or court orders; and 5) payments made in excess of IRC limits.

~~appropriation; commission for postsecondary education (NOW: appropriation; pipeline valuation)~~
(NOW: TPT; over the top) (S.B. 1019) – Chapter 189

Exempts over-the-top (OTT) services, which are audio or video programming services purchased by means of internet connection comparable to radio or television programming, from the telecommunications classification of transaction privilege tax. Prohibits a city, town or other taxing jurisdiction from levying a transaction privilege, sales, gross receipts, use, franchise or other similar tax or fee on OTT services.

medical marijuana; sales data; enforcement (S.B. 1024) – Chapter 142 W/O

Allows the Arizona Department of Revenue to disclose confidential information to the Department of Health Services to determine if a registered nonprofit medical marijuana dispensary is in compliance with transaction privilege tax requirements.

tax credit; charitable organizations; eligibility (S.B. 1027) – Chapter 297

Retroactive to tax year 2019, expands the individual tax credit against state income taxes for voluntary cash contributions by a taxpayer to a qualifying charitable organization to include contributions to qualifying charitable organizations that serve individuals, rather than children, who have a chronic illness or physical disability and are residents of Arizona.

property tax statements; mortgaged property (S.B. 1033) – Chapter 167

Requires a county treasurer to mail a written statement of taxes due on a property to the mortgagor in any form. Upon request, a county treasurer must send a statement of taxes due, in any form, to the mortgagee.

ASRS; long-term disability program (S.B. 1079) – Chapter 192

Considers a member of the Arizona State Retirement System (ASRS) to have a disability if during the first 30 months of a period of disability the member is unable to perform one or more duties, rather than all duties, of the occupation. Authorizes ASRS to investigate falsified information or records related to Long-term Disability Program eligibility or benefits.

association health plans (NOW: association health plans; definitions; requirements) (S.B. 1085) – Chapter 194

[SEE THE HEALTH & HUMAN SERVICES COMMITTEE.](#)

insurance; telemedicine (S.B. 1089) – Chapter 111

[SEE THE HEALTH & HUMAN SERVICES COMMITTEE.](#)

insurance; living organ donors (S.B. 1100) – Chapter 196

Prohibits life, disability and long-term care insurers from discriminating against a living organ donor in the offering, issuance, price or conditions of an insurance policy based solely on the person's status as a living organ donor.

short-term limited duration insurance; notice. (S.B. 1109/H.B. 2375) – Chapter 8

Extends the maximum initial contract term of short-term limited duration insurance (STLDI) to 12 months, rather than 185 days, and replaces the contract renewal cap of 180 days with a 36-month total contract duration limit, including contract renewals and extensions. Prescribes mandatory disclosure language for STLDI policy materials provided to the insured.

insurance; information practices (S.B. 1113) – Chapter 17

Removes the requirement for insurance providers to annually notify policyholders of personal information disclosure practices if the practices have not changed since the policyholder was last notified.

PSPRS; EORP; CORP; modifications (S.B. 1146) – Chapter 38 E

An emergency measure effective April 1, 2019, and retroactive to July 20, 2011, that requires all Deferred Retirement Option Plan (DROP) participation accounts to be credited with an amount that represents interest on the amount credited at a rate equal to the assumed rate of return determined by the Public Safety Personnel Retirement System Board (PSPRS Board). Removes the requirement that DROP participants with fewer than 20 years of service on January 1, 2012, make employee contributions and allows an active member who became a member of the Public Safety Personnel Retirement System (PSPRS) or the Corrections Officer Retirement Plan (CORP) before January 1, 2012, to redeem any amount of eligible prior service.

Requires an elected official who became a member of the Elected Officials' Retirement Plan (EORP) before July 20, 2011, to contribute seven percent of the member's gross salary by payroll deduction. An elected official who became a member of EORP before January 1, 2012, may: 1) redeem any amount of eligible prior service without having to have accrued any minimum amount of credited service in EORP; and 2) receive credited service for eligible prior active military service without having to have accrued any minimum amount of credited service with EORP.

Retroactive to July 1, 2017, sets the discount rate for PSPRS, CORP and EORP members. On or before June 30, 2019, the PSPRS Board may require interest to be paid on monies returned to members of a retirement plan or system, for the period of time between the transaction under the applicable section until a date to be determined by the PSPRS Board and no later than April 1, 2019.

department of revenue; applicants; fingerprinting (S.B. 1180) – Chapter 58

Allows the Director of the Arizona Department of Revenue (ADOR) to obtain a state and federal criminal records check (records check) for any applicant for employment or for any employee. The Director of ADOR (Director) must require preferred applicants and employees to submit a full set of fingerprints to the Director to be forwarded to the Department of Public Safety to obtain a records check before making a final offer of employment. The Director may obtain a consumer report for an applicant whose job duties include the distribution of tax revenues. Requires certain noncertificated school personnel who must be fingerprinted or obtain a fingerprint clearance card to certify if the person has had a charge or conviction of specified offenses that has been vacated, set aside or expunged.

DOR; collection statement; delivery deadline (S.B. 1181) – Chapter 236

Requires the Arizona Department of Revenue monthly report to both the State Treasurer and the Arizona Department of Administration on tax collections from the previous month to set forth the classifications and amounts collected from all businesses in Arizona, rather than by county. Removes the specific deadline of the fifth day of each month for the report.

fire insurance; premium tax proceeds (S.B. 1182) – Chapter 237

Changes, from April 30 to June 15, the deadline for the Arizona Department of Revenue to annually certify to the State Treasurer the full cash value of real property for the previous year in areas served by a private fire company, fire department or fire district. Extends, from July 1 to July 31, the date by which the State Treasurer must annually distribute the fire insurance premium tax to cities, towns and fire districts.

municipalities; pension fund; transfer (S.B. 1186) – Chapter 186

Laws 2017, Chapter 272 allowed certain fire districts to transfer excess Fire Fighters' Relief and Pension Fund monies to the Public Safety Personnel Retirement System to pay any past, present or future unfunded liabilities. S.B. 1186 grants the same authority to a city or town that maintains a similar fund for past or present volunteer or part-time firefighters. The city or town must determine by actuarial procedures the amount necessary to fully fund any accrued benefits before the transfer of any monies.

prepaid legal insurance contracts; definition (S.B. 1212) – Chapter 18

Defines *prepaid legal insurance* as a contractual obligation to pay or reimburse, rather than to indemnify, for specific legal services rendered in the course of business by an active member of the State Bar of Arizona, excluding administrative fees.

tax credits; affordable housing; (NOW: ASRS; return to work) (S.B. 1213) – Chapter 302

Specifies that an Arizona State Retirement System (ASRS) employer is not required to pay the alternate contribution rate if a retiree returns to work in a position that is currently filled by an employee who is an active ASRS member and whose employer is currently paying contributions on behalf of the active member. Beginning July 1, 2019, if ASRS and the employer determine that the alternate contribution rate does not apply to a retired ASRS member who has returned to work, an employer may request an employer credit for those contributions within 90 days after the end of the fiscal year in which the contributions were paid.

If a member retired on or after July 1, 2009, pension payments received by a Public Safety Personnel Retirement System (PSPRS), Elected Officials' Retirement Plan or Corrections Officer Retirement Plan (CORP) member during a period of reemployment are considered overpayment, if the member becomes reemployed in any capacity by the same employer within 12 months of retirement. The member may be reemployed by the same employer and resume receiving pension

payments after a period of 12 months. Limits repayment of the pension payments received by a retired member after reemployment and allows subsequent reemployment for PSPRS and CORP members.

rental car surcharge; exception (S.B. 1214) – Chapter 206

Exempts motor vehicles owned by governmental entities from the five percent surcharge on vehicle rental contracts.

possessory improvements; government property; assessment (S.B. 1235) – Chapter 249

Requires the county assessor to use standard appraisal methods and techniques to value *possessory improvements*, which are all residential, commercial and industrial buildings located on government property that is owned by a nongovernmental possessor. Requires the limited property value of possessory improvements to be statutorily calculated and specifies that the limited property value of possessory improvements is not subject to the statutory exemption for personal property. If the tax on any possessory improvement remains unpaid at the date set for selling the real property tax liens, the assessment, together with interest, penalties and costs, is subject to the procedures for delinquent taxes as real property.

tax liens; fees; certificate expiration (S.B. 1236) – Chapter 303

Requires a county treasurer to include any outstanding fees attached to a parcel of delinquent property in the tax lien sale aggregate amount. Clarifies the date when the certificate of purchase of a tax lien expires and the lien becomes void.

property taxes; valuation; property modifications (S.B. 1248) – Chapter 306

Specifies that the limited property value must be established at a level or percentage of full cash value (FCV), known as Rule B, when that property has been modified by construction, destruction or demolition since the preceding valuation year if the total change in value is at least 15 percent of the FCV.

state warrants; substitute checks (S.B. 1299) – Chapter 61

Modifies statutory banking practices for the processing of payments by the State Treasurer to add checks and electronic funds transfer vouchers to the acceptable methods of payment that the Arizona Department of Administration may process.

low-income housing; tax exemption (S.B. 1300) – Chapter 308

Exempts property that is used exclusively for affordable rental housing pursuant to the Internal Revenue Code or another recorded restrictive covenant imposed by financing for

affordable housing from taxation and requires the property to be owned and operated by a qualifying eligible nonprofit corporation. Modifies the eligibility of property by removing properties used as an assisted living facility for low-income elderly residents and including property in which an owner is eligible for and receives federal tax credits for low-income or moderate-income Section 42 residential housing in which the amount of rent paid by or on behalf of the occupants does not exceed the amount that is prescribed by deed restriction or regulatory agreements. Requires qualifying properties to not exceed 200 units, rather than 200 residents.

~~luxury tax; cavendish; definition~~ (NOW: luxury tax; tobacco products) ([S.B. 1347](#)) – Chapter 65

Prohibits an applicant for a license to sell tobacco products from having a place of business at a residential location or post office box except for certain luxury-taxed cigar product vendors that receive written consent from the Arizona Department of Revenue (ADOR). Allows tobacco products to be sold, transferred or distributed to a retailer located on an Indian Reservation if the retailer is registered with ADOR. Removes the ability of ADOR to suspend a tobacco distributor license as a penalty for noncompliance with statutory requirements. Requires a tobacco distributor to provide written consent for ADOR to inspect the distributor's stock of luxuries and all records and electronic sales data as a condition of licensure if the distributor uses a vehicle to carry and store tax-paid other tobacco products. Prescribes a statutory definition for *cavendish*.

~~agency consolidation; department of insurance~~ ([S.B. 1469](#)) – Chapter 252

Beginning July 1, 2020, consolidates the Department of Financial Institutions and the Automobile Theft Authority into the Department of Insurance, and renames the agency as the *Department of Insurance and Financial Institutions* (DIFI). Requires the Director of DIFI to appoint a superintendent to assist the Director with the execution of laws relating to financial institutions and enterprises.

~~technical correction; tax correction~~ (NOW: school tuition organization; inflator) ([S.B. 1485](#)) – Chapter 281

Reduces the cap on annual growth for corporate school tuition organization tax credits from 20 percent each fiscal year to: 1) 15 percent in FY 2021; 2) 10 percent in FY 2022; 3) 5 percent in FY 2023; and 4) the greater of 2 percent, or the percentage increase in the Metropolitan Phoenix Consumer Price Index in FY 2024 and each fiscal year thereafter.

~~fixed index annuities; disclosure; indexing~~ (NOW: annuity disclosure; rules) ([S.B. 1534](#)) – Chapter 223

Requires the Department of Insurance to adopt rules by August 27, 2020, relating to: 1) the National Association of Insurance Commissioners' annuity disclosure model regulation; and 2) illustration requirements specific to participating immediate and deferred income annuities.

~~ASRS; political subdivision plans; adjustments~~ ([H.B. 2007](#)) – Chapter 25

Prohibits an employee of a political subdivision who was previously a member of another public employee system and receives or is eligible to receive retirement benefits from receiving service credit from the Arizona State Retirement System (ASRS) for the same period of employment. Allows an employer to correct a contributions error by making payment adjustments through the employer's payroll reporting under specified conditions.

On establishment by a political subdivision of a supplemental retirement plan, the governing body must pay ASRS the amount equal to the present value, rather than an amount determined by the ASRS Board, required to fund additional costs of benefits attributable to service before the effective date of the supplemental retirement plan using the actuarial assumptions that are approved by the ASRS Board.

online lodging marketplace; local taxation (H.B. 2027) – Chapter 124

Allows the Arizona Department of Revenue to administer, collect, enforce and distribute taxes levied by a city, town or other taxing jurisdiction on an online lodging marketplace, by requiring the city, town or other taxing jurisdiction tax imposed to be uniform with all other taxpayers engaging in the same activity. A municipality may levy a tax or fee on an online lodging marketplace from any activity subject to tax under the Model City Tax Code.

statute of limitations; income tax (NOW: income tax; statute of limitations) (H.B. 2042) – Chapter 48

Sets a statute of limitations for the Arizona Department of Revenue (ADOR) to assess a tax if a taxpayer fails to file a report or return for income or withholding tax at seven years after a report or return was required to be filed. ADOR may assess a tax or begin a proceeding in court for collecting the tax in certain instances. Applies to assessments issued beginning September 1, 2019.

treatment and education facilities; exemption (H.B. 2074) – Chapter 208

Retroactive to the taxable year beginning January 1, 2019, exempts a nonprofit residential treatment and education facility (facility) from property taxation if the facility is used for educational purposes and not used or held for profit. Reclassifies, as class 9 property, the leased portion of property, buildings and fixtures that are leased to a facility and that are used for educational instruction in any grade or program through grade 12.

local government investment pool (H.B. 2078) – Chapter 35

Current statute allows a governing body of any political subdivision to authorize the State Treasurer to invest monies of the governing body in the Local Government Investment Pool. H.B. 2078 defines *political subdivision* as any governmental entity operating under the authority of Arizona, including a city, town, county, school district or community college district or any other entity organized under state law.

agricultural property classification; water reduction (NOW: taxation; agricultural property; partial payment) (H.B. 2095) – Chapter 49

Allows property that is inactive or partially inactive due to a partial reduction in water supply to be considered in active production for the purpose of agricultural property tax classification. Allows a county treasurer to enter into a payment plan agreement with a taxpayer for up to 36 months for delinquent business personal property taxes of more than \$1,000.

personal property; reporting; exemption (H.B. 2097) – Chapter 225

Exempts personal property that is constitutionally exempt from taxation because the property is used for agricultural purposes or in a trade or business from the annual county assessor property reporting requirement, and prohibits the county assessor from requiring the owner of exempt property to apply for exemption from the annual property reporting requirement.

county transportation excise tax. (H.B. 2109) – Chapter 50

[SEE THE TRANSPORTATION & PUBLIC SAFETY COMMITTEE.](#)

school districts; understatement; expenditures (H.B. 2116) – Chapter 6 E

An emergency measure effective February 20, 2019, that allows an elementary school district in a county with a population of fewer than 21,000 persons that meets outlined qualifications to spend monies levied and collected on behalf of the district.

workers' compensation; excess insurance policies (H.B. 2137) – Chapter 74

Designates the Industrial Commission of Arizona Special Fund (Special Fund) as the successor in interest to all excess insurance policies that insure any part of a self-insured employer's financial obligations under workers' compensation laws and that are in effect at the time a workers' compensation claim is assigned to the Special Fund. Outlines recovery rights and payments to the Special Fund.

unfair claims practices; cost sharing (NOW: insurance; cost-sharing; calculation) (H.B. 2166) – Chapter 75

Beginning January 1, 2020, requires a health care insurer, when calculating an enrollee's contribution to an out-of-pocket cost sharing requirement, to include the amount paid by the enrollee or on behalf of the enrollee for a prescription drug that is either: 1) without a generic equivalent; or 2) with a generic equivalent and the enrollee has obtained access to the prescription drug through prior authorization, a step therapy protocol or the health care insurer's exceptions and appeals process.

insurance; third-party administrators; exemptions (H.B. 2175) – Chapter 122

Exempts specified parties from the definition of *insurance administrator*, including a qualified marketplace platform, certain credit card processing companies, certain employees of a group policyholder and an administrator of certain trusts. A *qualified marketplace platform* is an entity that operates a digital website or digital smartphone application, facilitates services by qualified marketplace contractors to individuals seeking those services and accepts service requests from the public only through its digital website or smartphone application. Adds a qualified marketplace platform to the eligible groups for disability insurance and blanket disability insurance that covers qualified marketplace contractors that have executed a written contract with the qualified marketplace platform.

regulatory sandbox program; amendments (H.B. 2177) – Chapter 45

[SEE THE COMMERCE COMMITTEE.](#)

CORP; accidental disability; definition (H.B. 2190) – Chapter 286

Removes the requirement that an *accidental disability*, as it relates to the Corrections Officer Retirement Plan, must be a result of specified physical contact, a response to confrontation or a motor vehicle accident while in the performance of the person's official job duties.

~~TPT exemption; crop production tools~~ (NOW: TPT exemptions; propagative materials) (H.B. 2275) – Chapter 288

Beginning December 1, 2019, expands the list of propagative materials that are exempt from transaction privilege tax and use tax.

credit unions; declaration of purpose (H.B. 2284) – Chapter 30

Declares that the purpose of regulating state-chartered credit unions is to provide credit unions with the opportunity to remain competitive with each other and with other financial institutions.

TPT; estimated payments; liability threshold (H.B. 2360) – Chapter 290

Increases the annual total tax liability threshold, above which a taxpayer must report on a form prescribed by the Arizona Department of Revenue and pay an estimated tax payment in June from \$1,000,000 in 2019 to: 1) \$1,600,000 in 2020; 2) \$2,300,000 in 2021; 3) \$3,100,000 in 2022; and 4) \$4,100,000 in 2023 and each year thereafter.

tax lien sales; procedures (H.B. 2363) – Chapter 31

Requires a county treasurer to continue a tax lien sale from day to day until each parcel has been offered for sale, rather than sold, and no more bids are offered by purchasers. Allows the

State Treasurer to prohibit a purchaser who fails to pay the amount due when purchasing a tax lien from purchasing any additional tax lien from any county for a maximum of one year. Requires a purchaser to pay the purchase price in cash at a time determined by the county treasurer or within 15 days after the close of the sale.

limited audit review; electronic portal (H.B. 2367) – Chapter 169

Allows the Arizona Department of Revenue (ADOR) to conduct a limited-scope review of a filed individual income tax return if ADOR discovers a discrepancy between amounts reported on the return and the information received from an employer. In a notice to the taxpayer, ADOR may request records in support of the taxpayer's filed return. The taxpayer must have at least 30 days to respond. This review may be conducted only once per taxable year per taxpayer.

Prohibits consideration of a limited-scope review as an initial audit contact if: 1) the taxpayer provides documentation or an explanation that resolves the discrepancy between the originally-filed return and the information from an employer; 2) the taxpayer files an amended return that corrects the discrepancy; 3) ADOR adjusts the return filed by the taxpayer based on an agreed amount; or 4) ADOR notifies the taxpayer to request resolution of the issue by filing an amended return in order to avoid a possible future audit and to reduce possible future penalties and interest.

Allows ADOR to issue notice of its determination of deficiency using an electronic portal, in lieu of mail, under certain circumstances.

tax corrections act of 2019 (H.B. 2373) – Chapter 203

Corrects errors and obsolete language, addresses blending problems and makes clarifying changes to state tax statutes.

Renewable Energy Investment – Repeals the individual income tax credit for renewable energy investment and production for self-consumption by international operations centers. Amounts carried forward from previous taxable years are valid for application against subsequent tax liabilities. Only co-owners of a business that are corporations may claim a share of the corporate credit for renewable energy investment and production for self-consumption by international operations centers. Removes the individual income tax credit for renewable energy investment and production for self-consumption by international operations centers from the income tax credit review schedule.

Tobacco Products – Removes the requirement that the Arizona Department of Revenue (ADOR) post and maintain an online notice of seizure and forfeiture for seizures of cigarettes. Applies statute regarding the seizure and forfeiture of cigarettes to tobacco products.

Tax Provisions – Allows ADOR to require by rule that any tax, except individual income tax or luxury privilege tax, be paid on or before the payment date in monies that are immediately available on the date of the transfer by a taxpayer that owes \$20,000 or more for taxable years beginning before January 1, 2019, instead of for any taxable year ending before January 1, 2019. In computing Arizona adjusted gross income, retired or retainer pay of the U.S. Uniformed

Services may be subtracted from Arizona gross income. An adjustment made by ADOR to reflect the amounts on a tax document not provided with an electronically-filed return is considered a non-audit adjustment if ADOR requests the document within 60 days after the due date of the return or the date on which the return was filed, whichever is later.

Miscellaneous – The automatic termination of a slum or blighted area designation on the 10th anniversary does not affect any existing project within the designated area that is suitable for industrial park facilities, rather than nonprofit educational institutions.

public retirement systems (H.B. 2422) – Chapter 36

Prescribes administrative changes to the Public Safety Personnel Retirement System (PSPRS), the Elected Officials' Retirement Plan (EORP) and the Corrections Officer Retirement Plan (CORP), including requiring the PSPRS Board to establish, design and administer a deferred compensation plan. Outlines member participation in the plan and employer responsibilities.

Retroactive to January 1, 2014, authorizes a military reserve unit of any branch of the U.S. Armed Forces to buy back credit for military service. Allows an active member of the EORP defined contribution system who volunteers or is ordered to perform military service to receive years of service for up to 60 months of military service. Outlines the contributions and requirements of the member and the member's employer.

Retroactive to July 1, 2017, allows an active member of the PSPRS defined contribution retirement plan who volunteers or who is ordered to perform military service to receive years of service for up to 60 months of military service. Outlines the contributions and requirements of the member and the member's employer. For a qualifying employee who is hired on or after September 1, 2019, the employee's participation in the PSPRS defined contribution retirement plan begins 90 days after the date the employee is hired.

Retroactive to July 1, 2018, subjects the following to earlier irrevocable elections: 1) a CORP member who received a refund, was subsequently reemployed and may have redeposited the amount withdrawn to the benefits and duties in effect at specified times; and 2) a CORP member who receives a refund or redeposits amounts.

school tax credit; contributions (H.B. 2425) – Chapter 164

Allows a public school tax credit contribution to be used for capital items, community school meal programs, student consumable health care supplies and playground equipment and shade structures between July 1, 2019, and June 30, 2022. Allows a public school site council to transfer certain undesignated tax credit contributions to any school within the same school district.

TPT; residential rentals; notice (H.B. 2445) – Chapter 53

Requires a city or town that levies a transaction privilege, sales, gross receipts, use, franchise or other similar tax or fee applied to the business of renting or leasing real property for residential purposes to send a notification by first-class mail to each residential transaction

privilege tax licensee and to the address of each residential rental property at least 60 days before the effective date of any new or increased rate of tax.

municipal band tax; authorization; repeal (H.B. 2454) – Chapter 230

[SEE THE GOVERNMENT COMMITTEE.](#)

water infrastructure finance; municipal approval (H.B. 2464) – Chapter 33

[SEE THE WATER & AGRICULTURE COMMITTEE.](#)

~~appraisal methods; solar energy devices~~ (NOW: solar energy devices; appraisal methods) (H.B. 2493) – Chapter 291

Considers solar energy devices characterized as personal property to have a 10-year life and provides an accelerated depreciation schedule for the county assessor. A taxpayer who owns a solar energy device must annually report the taxable original cost of the device or system to the county assessor. Any discrepancies between taxes required by this legislation and taxes paid in previous years must be refunded.

health insurers; notice; providers (H.B. 2494) – Chapter 138

Prohibits certain contracts between a health insurer and a health care provider that are issued, amended or renewed beginning January 1, 2020, from restricting the acceptable methods of payment from the insurer to the provider to only a credit card payment. Requires a health insurer that pays using an electronic funds transfer to remit an explanation of benefits with each payment.

Allows restriction of payment by electronic funds transfer payments and prohibits a health insurer that initiates or changes payment to a provider using health care electronic funds transfers from charging a fee solely to transmit the payment to a provider, unless the provider has consented to the fee. A provider agent may charge reasonable fees related to value-added services.

Requires a health insurer that acquires a provider network of another health insurer to notify each provider of the acquired network. An acquired health care provider may continue or terminate the provider relationship with an acquired provider network or enter into a contract directly with the health insurer that acquired the provider network.

agricultural property; uses; rural activities (H.B. 2556) – Chapter 294

[SEE THE WATER & AGRICULTURE COMMITTEE.](#)

vacation rentals; short-term rentals; regulation (H.B. 2672) – Chapter 240

[SEE THE COMMERCE COMMITTEE.](#)

insurance; exceptions; guaranteed asset protection (H.B. 2674) – Chapter 113

States that a guaranteed asset protection waiver (GAP waiver) is not insurance. A *GAP waiver* is a part of or an addendum to a borrower's finance agreement in which a creditor contractually agrees to cancel or waive all or part of the amount due in the event a of a total physical damage loss or unrecovered theft of a motor vehicle.

revenue; budget reconciliation; 2019-2020. (H.B. 2756/S.B. 1555) – Chapter 272

[SEE THE APPROPRIATIONS COMMITTEE.](#)

tax provisions; omnibus. (H.B. 2757/S.B. 1546) – Chapter 273

Includes provisions relating to conformity and the 2018 U.S. Supreme Court case, *South Dakota v. Wayfair*, including:

Conformity – Beginning January 1, 2018, for tax year (TY) 2018, and January 1, 2019, for TY 2019, conforms Arizona statute to the federal definition of *adjusted gross income*. Reduces the number of tax brackets from five to four, and reduces the existing tax rates in three of the four brackets. For each TY beginning January 1, 2020, the Arizona Department of Revenue (ADOR) must adjust the income dollar amount for each tax rate bracket according to the average annual change in the Metropolitan Phoenix Consumer Price Index. Increases the standard deduction to \$12,200 for singles and married couples filing separately, \$18,350 for singles filing as head of household and \$24,400 for married couples filing jointly and indexes the new deductions to inflation. Eliminates personal and dependent exemptions. Allows taxpayers who take the standard deduction to increase their standard deduction by 25 percent of their charitable contributions that would have been fully deductible had they itemized. Establishes a dependent tax credit of \$100 for a dependent under 17 years old and \$25 for each dependent 17 years old and older. Phases the dependent tax credit out for singles with over \$200,000 of adjusted gross income and for married couples filing jointly with over \$400,000 of adjusted gross income.

Wayfair – Establishes the economic nexus thresholds under which an out-of-state business must collect and remit tax on retail sales in Arizona. If the out-of-state business does not conduct sales through a marketplace facilitator, economic nexus applies if sales in Arizona exceed \$200,000 in calendar year 2019, \$150,000 in 2020 and \$100,000 in 2021. If the out-of-state business is a marketplace facilitator, economic nexus applies if sales in Arizona from the marketplace facilitator's own business or on behalf of at least one marketplace seller exceed \$100,000 in the calendar year. Requires a marketplace facilitator to report tax due from transactions facilitated on behalf of marketplace sellers. Exempts a marketplace facilitator from liability for failing to pay the correct amount of transaction privilege tax (TPT) for a marketplace seller under certain conditions. ADOR may waive penalties and interest if the marketplace facilitator or remote seller seek liability relief and other conditions are met.

Municipal Taxation – Requires municipal ordinances and other local laws related to the taxation of retail sales to be superseded by the state's TPT law and outlines permissions and restrictions for municipal taxation of specified items. The municipal tax rate for retail businesses

selling tangible personal property for marketplace facilitators is the municipal tax rate in effect in that city or town on September 30, 2019, until the city or town changes the tax rate.

Declares the Legislature's intent to not move any sales tax classifications other than retail from the Model City Tax Code to state statute for a period of five years. Exempts ADOR from rulemaking requirements for one year.

LEGISLATION VETOED

conformity; internal revenue code; rates (S.B. 1143/H.B. 2522) – VETOED

Retroactive to January 1, 2018, conforms Arizona's tax code to the federal Internal Revenue Code for tax year 2018. Offsets the additional revenue generated by the adoption of the 2018 federal provisions by reducing each marginal individual income tax rate by 0.11 percentage points for tax year 2018. Limits the reduction to only tax year 2018.

The Governor indicates in his [veto message](#) that any legislation with a fiscal impact should be considered as part of budget discussions agreed to by the Legislature and Executive.

renewable energy storage equipment; valuation (H.B. 2617) – VETOED

Exempts the gross proceeds of sales or gross income derived from sales of machinery and equipment used directly for storing energy for later electrical use from the transaction privilege tax (TPT) imposed on the retail classification. A city, town or special taxing district may not levy a TPT, sales, use or other similar tax on the gross proceeds from sales or gross income derived from sales of machinery and equipment used directly for energy storage for later electrical use.

Prescribes the full cash value (FCV) of renewable energy storage equipment, in addition to that of renewable energy equipment, as 20 percent of the depreciated cost of the equipment, which is the taxable original cost less depreciation, and requires the Arizona Department of Revenue to determine the FCV of taxable renewable energy storage equipment, in addition to that of renewable energy equipment, through December 31, 2040.

The Governor indicates in his [veto message](#) that this proposal should be considered as part of a broader discussion in advance of the next legislative session.